

# Audit Committee Minutes

**22 February 2021**

## **Our Vision**

*A City which values its heritage, cultural diversity,  
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable  
and socially cohesive, with a strong community spirit.*

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City of  
Norwood  
Payneham  
& St Peters

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**VENUE** Mayors Parlour, Norwood Town Hall

**HOUR** 7.00pm

**PRESENT**

**Committee Members** Cr John Minney (Presiding Member)  
Mayor Robert Bria  
Cr Mike Stock  
Ms Sandra Di Blasio (Independent Member)

**Staff** Mario Barone (Chief Executive Officer)  
Sharon Perkins (General Manager, Corporate Services)  
Andrew Alderson (Financial Services Manager)

**APOLOGIES** Ms Brigid O'Neill (Independent Member)

**ABSENT** Nil

**TERMS OF REFERENCE:**

*The Audit Committee is responsible to facilitate:*

- *the enhancement of the credibility and objectivity of internal and external financial reporting;*
- *propose and provide information relevant to a review of the Council's Strategic Management Plans and Annual Business Plan;*
- *the review and reporting on any matter relating to financial management or the efficiency and economy with which the Council manages its resources;*
- *effective management of financial and other risks and the protection of the Council's assets;*
- *compliance with laws and regulations related to financial and risk management as well as use of best practice guidelines;*
- *the provision of an effective means of communication between the external auditor, management and the Council;*
- *proposing and reviewing the exercise of powers under Section 130A of the Local Government Act 1999;*
- *review Annual Financial Statements to ensure that they present fairly the state of affairs of the Council;*
- *liaising with the Council's Auditor; and*
- *reviewing the adequacy of accounting, internal control reporting and other financial management systems and practices of the Council on a regular basis.*

**1. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 OCTOBER 2020**

*Mayor Bria moved that the minutes of the Audit Committee meeting held on 26 October 2020 be taken as read and confirmed. Seconded by Cr Stock and carried unanimously.*

**2. PRESIDING MEMBER'S COMMUNICATION**

Nil

**3. QUESTIONS WITHOUT NOTICE**

Nil

**4. QUESTIONS WITH NOTICE**

Nil

**5. WRITTEN NOTICES OF MOTION**

Nil

**6. STAFF REPORTS**

## 6.1 2020-2021 EXTERNAL AUDIT PLAN

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**REPORT AUTHOR:** Financial Services Manager  
**GENERAL MANAGER:** General Manager, Corporate Services  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** qA63320  
**ATTACHMENTS:** A

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### **PURPOSE OF REPORT**

The purpose of this report is to present to the Audit Committee, the Annual External Audit Plan for the 2020-2021 Financial Year.

### **BACKGROUND**

The 2020-2021 Audit Committee work plan requires the Audit Committee to ensure that financial information for external audiences, accurately reflects accrual based financial principles. An effective and compressive External Audit Plan assists the Audit Committee in discharging its responsibilities with regard to this requirement.

At the Audit Committee Meeting held on 26 February 2018, the Committee considered the appointment of BDO Advisory (SA) Pty Ltd (BDO) as the Council's Auditors for a five (5) year term commencing from the completion of the 2017-2018 Annual Financial Statements. In accordance with BDO's audit methodology, the 2020-2021 External Audit Plan has been prepared and is presented to the Committee for endorsement.

### **RELEVANT POLICIES & STRATEGIC DIRECTIONS**

Nil.

### **FINANCIAL AND BUDGET IMPLICATIONS**

Not Applicable.

### **SOCIAL ISSUES**

Not Applicable.

### **CULTURAL ISSUES**

Not Applicable.

### **ENVIRONMENTAL ISSUES**

Not Applicable.

### **RESOURCE ISSUES**

Not Applicable.

### **RISK MANAGEMENT**

Not Applicable.

## CONSULTATION

- **Committee Members**  
Not Applicable.
- **Elected Members**  
Nil.
- **Community**  
Not Applicable.
- **Staff**  
The Council's General Manager, Corporate Services and Financial Services Manager, have met with representatives from BDO to discuss the audit approach, the information contained in the Audit Plan and have agreed on the timetable of significant milestones.
- **Other Agencies**  
Not Applicable.

## DISCUSSION

The External Audit Plan (the Plan) as contained in **Attachments A**, sets out the basis upon which BDO will undertake the external audit of the Councils 2020-2021 Financial Statements and Internal Controls.

The Plan outlines the objectives and the potential risks which BDO will consider and assess during the Audit of the Councils financial statements and internal controls.

## OPTIONS

Nil

## CONCLUSION

The proposed External Audit Plan as presented will achieve the compliance outcomes required of the External Audit process.

## COMMENTS

If Committee Members have any questions or require clarification in relation to the External Audit Plan, do not hesitate to contact the Financial Services Manager, Andrew Alderson on 8366 4548 prior to the meeting.

## RECOMMENDATION

That the Audit Committee recommends to the Council that the 2020-2021 External Audit Plan as contained in Attachments A be endorsed.

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*Ms Sandra Di Blasio moved:*

*That the Audit Committee recommends to the Council that the 2020-2021 External Audit Plan as contained in Attachments A be endorsed.*

*Seconded by Cr Stock and carried.*

## 6.2 2020-2021 MID YEAR BUDGET REVIEW

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**REPORT AUTHOR:** Financial Services Manager  
**GENERAL MANAGER:** General Manager, Corporate Services  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** qA63320/A122337  
**ATTACHMENTS:** A - C

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### PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with a summary of the forecast Budget position for the year ended 30 June 2021, following the Mid-Year Budget Review. The forecast is based on the year-to-date December 2020 results.

### BACKGROUND

Pursuant to Section 123 (13) of the *Local Government Act 1999*, the Council must, as required by the Regulations reconsider its Annual Business Plan or its budget during the course of a financial year and, if necessary or appropriate, make any revisions.

The Budget Reporting Framework set out in Regulation 9 of the *Local Government (Financial Management) Regulations 2011* ("the Regulations") comprises two (2) types of reports, namely:

1. The Budget Update; and
2. The Mid-year Budget Review.

#### Budget Update

The Budget Update Report sets out the revised forecast of the Council's Operating and Capital investment activities compared with the estimates for those activities set out in the Adopted Budget. The Budget Update is required to be presented in a manner consistent with the note in the Model Financial Statements entitled *Uniform Presentation of Finances*.

The Budget Update Report must be considered by the Council at least twice per year between 30 September and 31 May (both dates inclusive) in the relevant financial year, with at least one (1) Budget Update Report being considered by the Council prior to consideration of the Mid-Year Budget Review Report.

The Regulations requires a Budget Update Report to include a revised forecast of the Council's operating and capital investment activities compared with estimates set out in the Adopted Budget, however it is recommended by the Local Government Association that the Budget Update Report should also include at a summary level:

- the year to date result;
- any variances sought to the Adopted Budget or the most recent Revised Budget for the financial year; and
- a revised end of year forecast for the financial year.

#### Mid-Year Review

The Mid-Year Budget Review must be considered by the Council between 30 November and 15 March (inclusive) in the relevant financial year. The Mid-Year Budget Review Report sets out a revised forecast of each item shown in its Budgeted Financial Statements compared with estimates set out in the Adopted Budget presented in a manner consistent with the Model Financial Statements. The Mid-Year Budget Review Report must also include revised forecasts for the relevant financial year of the Council's Operating Surplus Ratio, Net Financial Liabilities Ratio and Asset Sustainability Ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled *Financial Indicators*.

The Mid-year Budget Review is a comprehensive review of the Council's Budget and includes the four principal financial statements, as required by the Model Financial Statement, detailing:

- the year to date result;
- any variances sought to the Adopted Budget; and
- a revised full year forecast of each item in the budgeted financial statements compared with estimates set out in the Adopted budget.

The Mid-year Budget Review Report should also include information detailing the revised forecasts of financial indicators compared with targets established in the Adopted Budget and a summary report of operating and capital activities consistent with the note in the Model Financial Statements entitled *Uniform Presentation of Finances*.

## **RELEVANT STRATEGIC DIRECTIONS & POLICIES**

The Council's Long Term Strategic directions are set out in *City Plan 2030 – Shaping our Future*. The Council's *Long Term Financial Plan (LTFP)*, is a key document in the Councils Planning Framework. It is the primary financial management tool which links the Council's Strategic Plan, *City Plan 2030 – Shaping our Future*, Whole-of-Life Assets Management Plans, the Annual Business Plan and Budget.

The *2020-2021 Annual Business Plan* and Budget, sets out the proposed services, programs and initiatives for the 2020-2021 Financial Year and explains how the Council intends to finance its continuing services, programs and initiatives which are to be undertaken during the financial year. The 2020-2021 Adopted Budget estimated an Operating Deficit of \$798,455. The Operating Deficit was increased as part of the First Quarter Budget Review to \$924,210.

## **FINANCIAL AND BUDGET IMPLICATIONS**

The Mid-Year Budget Review, provides the opportunity to reflect any changes in projections based on the actual year-to-date results to December 2020 and forecast the 2020-2021 Operating result.

Details of material movements in the forecast from the Adopted Budget are contained in the Discussion section of this Report.

## **EXTERNAL ECONOMIC IMPLICATIONS**

This report provides information on the planned financial performance of the Council for the year ended 30 June 2021 and has no direct external economic impacts.

## **SOCIAL ISSUES**

Not Applicable.

## **CULTURAL ISSUES**

Not Applicable.

## **ENVIRONMENTAL ISSUES**

Not Applicable.

## **RESOURCE ISSUES**

Not Applicable.

## **RISK MANAGEMENT**

There are no risk management issues arising from this issue. All documents have been prepared in accordance with the statutory requirements.

## CONSULTATION

- **Elected Members**

The Council will consider the Mid-year Review at its Council meeting scheduled for 1 March 2021.

- **Community**

Not Applicable.

- **Staff**

Responsible Officers and General Managers.

- **Other Agencies**

Not Applicable.

## DISCUSSION

The 2020-2021 Adopted Operating Budget, projected an Operating Deficit of \$798,455. At the Council meeting held on 7 December 2020, the Council considered endorsed the First Budget Update, which reported a forecast Operating Deficit of \$924,210.

Following the Mid-Year Budget Review, as presented in this report, the Operating Deficit is forecast to be \$651,547.

The material movements in the components that make up the Operating Surplus following the Mid-Year Budget Review are detailed below.

### A. Recurrent Operating Budget

For 2020-2021, the Recurrent Operating Budget forecast a Recurrent Operating Surplus of \$435,651, which was reduced to \$386,438 following the First Budget Update.

As a result of the Mid-Year Budget Review, the Recurrent Operating Surplus is forecast to be \$501,909, an increase of \$133,463 on the Adopted First Budget Update. The major reasons for the movement in Operating Surplus are detailed in Table 1.

**TABLE 1: MAJOR VARIANCES IN RECURRENT OPERATING BUDGET - MID-YEAR BUDGET REVIEW**

	Favourable/ (Unfavourable) \$
The employee expenses budget has been reduced to reflect the cost not incurred on budgeted positions that remain unfilled at the end of the first half of the year. The positions include Community Arts Officer, Manager, City Projects and IT System Administrator.	187,257
The Council received a bonus payment from Local Government Finance Authority. The bonus payment is reflective of the value of deposits and loans the Council held with the Authority.	46,145
Due to COVID-19, the Council's major events for the first half year were cancelled. Both Events Coordinators were secondment to vacant positions in the Customer Service Unit in lieu of engaging contract staff to back fill vacancies in the Customer Service Unit.	22,700
Additional Waste Bin Permits issued for the 2020-2021 Financial Year were higher than anticipated in the Adopted Budget.	13,000
Due to COVID-19 protocols, the St Peters Child Care Centre and Preschool required that staff who were unwell to not present to work. Due to licensing requirements, temporary staff were engaged to ensure that Staff to Child ratios were maintained.	(30,000)



When the 2020-2021 Budget was prepared, the on-going health, social and economic impacts of the COVID-19 were uncertain, as such, it was assumed that a number of services, programs and activities would not be in a position to recommence until the second half of the financial year. Given the Governments response in the management of the pandemic, the Council was in the position to recommence services earlier than anticipated. The COVID-19 impacts, built into the Adopted Budget that didn't come to fruition have been adjusted as part of the Mid-Year Budget Review and are detailed in Table 2.

**TABLE 2: COVID-19 REPONSE**

	<b>Favourable/ (Unfavourable) \$</b>
In preparing the 2020-2021 Adopted Budget, it was anticipated that there would be a delay in the collection of rate payments, impacting the Council's cashflow, as such the Adopted Budget provided for additional interest from short term financing. The collection of Rates has not been adversely impacted by the pandemic, and as such the short term borrowings have not been required	50,000
The Norwood Concert Hall was anticipated to be prevented from opening due to physical distancing restrictions put in place to address the health impact of COVID-19 for the first six months of the 2020-2021 Financial Year. With the easing of restrictions, events have been able to be held. As such, the Norwood Concert Hall revenue and expenditures are increased by \$49,698 and \$80,619 respectively.	(30,921)
The Swimming Season commenced in October as per normal. As such, user charges were increased by \$194,044 and operational expenses were increased by \$339,918 to reflect the earlier than anticipated Season opening.	(145,874)

## B. Operating Projects

The Adopted Budget includes an estimate of operating project expenditure for the year under review and:

- previously approved and carried forward projects from the prior budget years; less
- an allowance for current year approved projects projected to be carried forward to subsequent budget years.

Carried Forward estimates (from prior financial years) are reviewed upon finalisation of the Annual Financial Statements. Additional expenditure required for non-completed Operating Projects at the end of the Financial Year, is incorporated in the Budget as part of First Budget Update.

Taking into account the carried forward Operating Project expenditure and new projects which have been endorsed by the Council, the 2020-2021 Adopted Operating Projects Budget forecast a cost to the Council of \$1.597 million.

Carried Forward Operating Project expenditure was estimated as part of the Adopted Budget to be \$338,000. Following the First Budget Update, the value of carried forward expenditure is \$604,000. The increase in the Carried Forward Budget, is due to projects not progressing as anticipated or the commencement of some projects being deferred.

The First Budget Update forecast the cost of Operating Projects to be \$1.816 million, the Mid-Year Budget Update is estimating a slight decrease in this figure to \$1.737 million. The major reasons for the movement in Operating Projects are detailed in Table 3.

**TABLE 3: MAJOR VARIANCES IN OPERATING BUDGET - MID-YEAR BUDGET REVIEW**

	Favourable/ (Unfavourable) \$
Due to COVID-19, the 2021 Santos Tour Down Under was cancelled. At its meeting held on 7 December 2020, the Council endorsed two (2) bicycle themed events, with a budget of \$20,000. The first event, "Wheel Park" was held in January 2021 at Felixstow Reserve. The second bicycle themed event will be held in April 2021.	85,000
The Council's budgeted contribution to the Resilient East Coordinator is no longer required as the City of Burnside, who is the auspice Council for the Resilient East Program, received grant funding of \$52,000 from State Government to fund this position.	\$10,000
The Council engaged an external consultant to undertake graphic design of the Business & Economic Development Strategy due to other priorities within the Council Communication Unit.	(15,800)
The Council received grant funding from Green Adelaide for tree planting in Kent Town, associated with the works currently being undertaken on the Parade West and College Road (adjacent to the Kent Town Hotel).	60,000

A review of status of the Operating Projects will be undertaken as part of the Third Budget Update, which will be considered by the Council at the Council Meeting scheduled for May 2021.

Eight (8) out of total forty-one (41) operating projects have been completed by December 2020.

Details of Operating Projects is contained in **Attachment A**.

### **C. Capital Projects**

The Council adopted a Capital Budget of \$19.936 million for 2020-2021, which comprised funding allocations for New Capital Projects involving new or the upgrading of existing assets (\$4.127 million), the renewal/replacement of existing assets (\$10.146 million) and Carried Forward Projects from 2019-2020 (\$5.457million).

The First Budget Update forecast the cost of Capital Projects to be \$22.225 million. The increase is predominately due to a number of projects which were initially anticipated to be completed by 30 June 2020 being delayed or still being in progress as at 30 June 2020. Following the Mid-Year Budget Review, the Capital Project expenditure is forecast to increase by \$563,000 to \$22.787 million. The budget variations identified in the Mid-Year Review are detailed in Table 4 below:

**TABLE 4: MAJOR VARIANCES IN CAPITAL PROJECT BUDGET - MID-YEAR BUDGET REVIEW**

Capital Project	Increase/ (Decrease) \$
The additional budget is requested to relocate two (2) bus stops on Sixth Avenue to enable wheelchair access as per <i>Disability Discrimination Act</i> requirements.	6,000
As part of the Willow Bend Park Upgrade project, it was identified that the pre-existing power infrastructure was located under a private property fence. Funds are requested to relocate the power supply to a more accessible location.	21,000
The budget for the first year maintenance for River Torrens Linear Park Path Upgrade project was not carried forward from the 2019-2020 Financial Year, in the First Budget Update.	35,000
The Council has been successful with grants application from Green Adelaide for the St Peters Street Upgrade Project and Burchell Reserve Upgrade Project. The grant funding was sought to offset the cost of drainage works, which have been added to the scope of the upgrade projects. As the receipt of grant funding offsets the cost of the increased scope of works, there is no net increase in the Cost to Council.	100,000
The additional funds are requested as part of the Payneham Oval Tennis Courts Reconstruction Project for the removal and disposal of ballast rock within the subgrade surface. The presence of the ballast rock was unknown prior to the works commencing.	180,000
As its Meeting held on 7 December 2020, the Council awarded the tender to undertake the construction work for streetscape upgrade on The Parade West, Rundle Street and College Road Kent Town. The Tender was based on an extended scope of works to include College Road, Kent Town associated with the Kent Town Hotel and the implementation of a structural soil system associated with tree planting. The cost of the increased scope of works is offset by a \$50,000 contribution by the Kent Town Hotel.	220,711

It is not expected that the increase in capital expenditure for the 2020-2021 Financial Year will result in any additional borrowings being required. However, this will be monitored during the second half of the year.

A review of status of the Capital Projects will be undertaken as part of the Third Budget Update, which will be considered by the Council at the Council Meeting scheduled for May 2020.

By December 2020, eight (8) out of total fifty-five (55) Capital Projects have been completed.

Details of Capital Projects is contained in **Attachment B**.

Regulation 9 (1) (b) of the Regulations states the Council must consider:

*“between 30 November and 15 March (both dates inclusive) in the relevant financial year—a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.”*

Further Regulation 9 (2) of the Regulations states the Council must consider:

*“revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.”*

The revised Budgeted Financial Statements and Financial Indicators as a result of the Mid-Year Budget Update are included in **Attachment C**.

#### **OPTIONS**

Not Applicable.

#### **CONCLUSION**

Nil

## COMMENTS

Nil

## RECOMMENDATION

1. That the Mid-Year Budget Update Report be received and noted.
  2. That project progress reports contained in Attachments A and B, be received and noted.
  3. That the Committee recommends to the Council that pursuant to Regulation 9 (1) and (2) of the Local Government (Financial Management) Regulations 2011, the Budgeted Financial Statements and Financial Indicators as contained within Attachment C, be adopted.
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*Cr Stock moved:*

1. *That the Mid-Year Budget Update Report be received and noted.*
2. *That project progress reports contained in Attachments A and B, be received and noted.*
3. *That the Committee recommends to the Council that pursuant to Regulation 9 (1) and (2) of the Local Government (Financial Management) Regulations 2011, the Budgeted Financial Statements and Financial Indicators as contained within Attachment C, be adopted.*

*Seconded by Mayor Bria and carried.*

## 6.3 STRATEGIC MANAGEMENT PLANS

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**REPORT AUTHOR:** General Manager, Corporate Services  
**GENERAL MANAGER:** Chief Executive Officer  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** qA63320  
**ATTACHMENTS:** A - F

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### PURPOSE OF REPORT

The purpose of this report is to present to the Committee for its information, *CityPlan 2030: Shaping the Future*, the Council's *Infrastructure and Asset Management Plans* and the *2021-2031 Long Term Financial Plan*, which have been adopted by the Council.

### BACKGROUND

Pursuant to Section 122 (4) of the *Local Government Act 1999* (the Act), the Council must undertake a comprehensive review of its Strategic Management Plans within two (2) years after each Local Government General Election.

Due to the COVID-19 pandemic, the Minister for Transport, Infrastructure and Local Government, issued a notice which provided Councils up to a three (3) month extension to the statutory deadline. Given the uncertainty created by the COVID-19 pandemic, the Council elected to take advantage of the extension. As such, the respective plans were required to be adopted by the Council by February 2021.

### RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's Strategic Management Plan, *CityPlan 2030: Shaping the Future*, provides the framework upon which the Council's Strategic Plans are developed. The Council's suite of Strategic Management Plans currently incorporates the *CityPlan 2030: Shaping the Future*, the *Long Term Financial Plan (LTFP)*, the *Infrastructure and Asset Management Plans (IAMP's)* and the Annual Business Plan and Budget.

### FINANCIAL AND BUDGET IMPLICATIONS

The financial projections contained within the LTFP provide an indication of the Council's direction and financial capacity, rather than predicting the future financial performance and position of the Council. The LTFP should be viewed as a guide to future actions or opportunities which encourages the Council to consider the future impact of decisions which are made on the Council's long-term financial sustainability.

The IAMP's allow for long term planning of the renewal and upgrade of the Councils infrastructure and assets, which in turn provides for the integration of projects from across the respective asset class. This approach leads to improved efficiency and more effective use of Council's financial resources which results in better outcomes for the community.

To this end, reference is made each year to the IAMP's and the LTFP when preparing the Annual Business Plan and Annual Budget, to ensure that the broad outcomes, both financial and operational, of the Council are continuing to be achieved.

### EXTERNAL ECONOMIC IMPLICATIONS

The IAMP's contains future estimates of the financial commitment required to renew and upgrade the Council's infrastructure and assets. These estimates together with the financial projections to deliver the Councils services and programs are set out in the LTFP. Based on the financial projections contained within the LTFP, there will be an economic impact on ratepayers and customers through increases in rates and user charges for user pays services.

## **SOCIAL ISSUES**

The IAMP's set out how the Council intends to maintain, renew and upgrade its existing asset base. The IAMP's identify the service standards that are to be set and maintained with respect to the roads, footpaths, stormwater drainage, open space and buildings. If assets are not maintained and renewed in line with the timing and standards set out within the respective IAMPs, the community well-being may be impacted through a reduction in service through the removal of assets (i.e. playgrounds, public facilities) from service or be exposed to hazards resulting from inadequately maintained assets.

The financial projections are based on the set of assumptions and it is possible that the projected rate revenue increase may have social implications for some ratepayers and recipients of user pays services.

## **CULTURAL ISSUES**

Not Applicable.

## **ENVIRONMENTAL ISSUES**

Not Applicable.

## **RESOURCE ISSUES**

Not Applicable.

## **RISK MANAGEMENT**

Pursuant Section 122 (4) of the Act, the Council must undertake a comprehensive review of its Strategic Management Plans (which incorporates the Infrastructure and Asset Management Plans and Long-Term Financial Plan), within two (2) years after each Local Government General Election.

Due to the COVID-19 pandemic, the Minister for Transport, Infrastructure and Local Government, issued a notice which provided Councils up to a three (3) month extension to the statutory deadline. Given the uncertainty created by the COVID-19 pandemic, the Council elected to take advantage of the extension. The Council adopted *CityPlan 2030: Shaping the Future* at its meeting held on 7 December 2020, with the IAMP's and LTFP being adopted at its meeting held on 18 January 2021.

As previously mentioned, if assets are not maintained and renewed in line with the timing and standards set out within the respective IAMPs, the community's well-being may be impacted through a reduction in service through the removal of assets (i.e. playgrounds, public facilities) from service or be exposed to hazards resulting from inadequately maintained assets. To mitigate the potential hazards resulting from inadequately maintained assets, the timing of the capital projects set out in the LTFP, have been based on the Council's Infrastructure and Asset Management Plans (IAMP's).

The LTFP provides information on the financial projections of the Council based on the set of assumptions, which are set out in the plan contained in **Attachment F**. The objective of preparing the LTFP is to set out the Council's direction and financial capacity, rather than predicting the future financial performance and position of the Council. However, to ensure that the Council delivers on the objectives set out in *CityPlan 2030*, the IAMP, the assumptions which underpin the financial projections set out in the LTFP will need to be regularly reviewed. At a minimum, to ensure that the broad asset management and financial outcomes of the Council are continuing to be achieved, reference should be made each year to the IAMP's and LTFP when preparing the Annual Business Plan and Annual Budget.

## **COVID-19 IMPLICATIONS**

While South Australia, has to date, managed the health and economic impacts of the pandemic effectively, the future ongoing impacts of the pandemic are still unknown. Therefore in determining the basis of the assumptions which have been used in preparing the LTFP, reference has been made to the economic conditions over the past ten (10) years. Essentially, the assumption has been made that the Council will return to "normal" operations and services suspended during 2020-2021 due to the pandemic will be re-instated.

## CONSULTATION

- **Committee Members**  
Cr Minney, Mayor Bria and Cr Stock, have been involved throughout the review process for the *CityPlan 2030: Shaping the Future*, the LTFP, the IAMP's and have made decisions as appropriate.
- **Community**  
The community through community consultation process on the *CityPlan 2030: Shaping the Future*, LTFP and the IAMP's was provided the opportunity to provide feedback on the respective Plan's.
- **Staff**
  - Chief Executive Officer and General Managers
  - Financial Services Manager
  - Acting Manager, City Assets
  - Manager, Economic Development and Strategic Projects
  - Project Manager, Assets.
- **Other Agencies**  
Not Applicable.

## DISCUSSION

### CityPlan 2030: Shaping the Future

In 2007, an extensive and wide-ranging community engagement program was implemented to develop *CityPlan 2030*, incorporating a comprehensive Community Visioning exercise which developed the Vision for a preferred future based on the community's shared values, aspirations and priorities. It was through this process that the Quadruple Bottom Line (QBL) model for Well-being, which incorporates the Outcomes of Social Equity, Cultural Vitality, Economic Prosperity and Environmental Sustainability were adopted. From this process, a series of Objectives, Strategies, Indicators and Targets were prepared. It should be noted that *CityPlan 2030* is a long-term Strategic Management Plan spanning a twenty-year period, in contrast to a short-term plan with a lifespan of three-to-five years.

*CityPlan 2030* was reviewed and updated in 2012 and 2017. Each update subsequently comprised a review of the Objectives and Targets to ensure that the Plan was aligned with the community's emerging priorities. This was achieved through a comprehensive community engagement program.

The intent of the Mid-Term Review, like previous reviews, was to reaffirm the high level strategic direction of the Council through the format of a progress review to confirm the continued relevance of the Objectives, Strategies and Indicators and determine whether amendments or additions are required.

Community consultation and engagement has enabled the Council to 'test' the proposed amendments and refine the strategies aimed at achieving the Vision of *CityPlan 2030*. The *CityPlan 2030 – Mid-term Review*, has been prepared based on the comments received during the two (2) stages of community consultation and engagement, together with extensive research into recent trends and drivers of change, input from Elected Members and internal comments provided by Council staff.

The Mid Term Review of *CityPlan 2030* will ensure that the Council is continuing to meet the aspirations and expectations of the community, whilst ensuring that it continues to strive to achieve the four (4) outcomes of Social Equity, Cultural Vitality, Economic Prosperity and Environmental Sustainability.

The *CityPlan 2030 – Mid-term Review*, as contained in **Attachment A**, was adopted by the Council at its meeting held on 7 December 2020.

### Infrastructure and Asset Management Plans

Asset management is the combination of management, financial, economic, engineering, and other practices, applied to the Council's physical assets, with the objective of providing the required level of service in the most cost-effective manner. Infrastructure and asset management planning ensures delivery of services from infrastructure is provided in a financially sustainable manner.

The Council's *Infrastructure and Asset Management Plans* set out the Council's approach to the management of the council owned assets over its lifecycle, which includes construction, maintenance, operations, renewal and replacement or upgrade.

The IAMPs are influenced by strategic documents, such as the Councils Strategic Management Plan *CityPlan 2030: Shaping the Future*, the *City-Wide Cycling Plan*, the *Playground Strategy*, the *Open Space Strategy* and the *Economic Development Strategy*, to identify future infrastructure requirements.

In developing the asset management strategy for each class of asset, service standards have been based on the following:

- safety and compliance with Australian Standards and codes for intended uses;
- capacity of infrastructure and functionality of assets to meet usage requirements;
- asset condition, which is regularly monitored to ensure serviceability maintained and timely maintenance or renewal undertaken; and
- capacity of infrastructure such as underground stormwater drainage network and overland flow paths to perform during target rainfall events.

Asset renewal works, as set out in the IAMPs, are planned based on the condition data of existing assets, which is collected periodically and have been aligned with new and upgrade projects to ensure there is efficient use of resources and where possible, assets are not being replaced earlier than required. In addition, projects across asset classes, have where possible been integrated to provide improved efficiency and outcomes for the community.

The IAMP's, as contained in **Attachments B to Attachment E**, were adopted by the Council at its meeting held on 18 January 2021.

### Long Term Financial Plan

The *Long Term Financial Plan* is based on the Councils Financial Goal of being "a City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner" and the Financial Outcomes and financial targets have been established to support the Councils achievement of its Financial Goal.

The LTFP supports the Councils strategic planning process, with the LTFP outlining the Councils approach to delivering infrastructure, which is consistent with the Council's IAMPs and services which it provides to the community in a financially sustainable and affordable manner for the next ten (10) years.

The LTFP, based on a set of assumptions, provides financial projection for the continuing provision of Council's service, programs and activities for the next ten (10) years.

The LTFP balances the funding needs of renewal and new infrastructure assets, with the timing of proposed upgrade or new infrastructure projects being linked to asset renewals to provide improved efficiency and outcomes for the community, existing services against rating expectations, reasonable fees, debt leverage and the use of accumulated funds held in reserve accounts.

The LTFP, as contained in **Attachment F**, was adopted by the Council at its meeting held on 18 January 2021.

### **OPTIONS**

Not Applicable.



## **CONCLUSION**

The Council's vision and direction is set out in *CityPlan 2030: Shaping the Future* and forms the basis for the Council's planning framework. The IAMP's and the LTFP have been developed to ensure that the objectives of *CityPlan 2030: Shaping the Future* are achieved.

The IAMP's and the LTFP as contained in Attachments B-F, represents the asset management and financial strategies to meet the competing demands of delivering services and facilities to the community. There are numerous ways in which the Council can achieve its objectives. The LTFP seeks to balance the funding needs of the renewal and new infrastructure assets, with the timing of proposed upgrade or new infrastructure projects being linked to asset renewals, and existing services against rating expectations, reasonable fees, debt leverage and the use of accumulated funds held in reserve accounts.

Based on the asset management requirements set out in the IAMPs and the underlying assumptions set out in the LTFP, the financial projection set out in the LTFP indicates that the Council is in a position to deliver on its Strategic Outcomes set out in its suite of Strategic Management Plans.

## **COMMENTS**

If Committee Members have any questions or require clarification in relation to specific items, and/or any issues raised in this report, do not hesitate to contact the General Manager, Corporate Services, Sharon Perkins, prior to the meeting.

## **RECOMMENDATION**

The report be received and noted.

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*Ms Sandra Di Blasio moved:*

*The report be received and noted.*

*Seconded by Mayor Bria and carried unanimously.*

## 6.4 2021-2022 ANNUAL BUSINESS PLAN AND BUDGET

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**REPORT AUTHOR:** General Manager, Corporate Services  
**GENERAL MANAGER:** Chief Executive Officer  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** qA63320/A120219  
**ATTACHMENTS:** Nil

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### PURPOSE OF REPORT

The purpose of this report is to update the Audit Committee on the 2021-2022 Annual Business Plan and Budget process.

### BACKGROUND

#### Legislative Requirements

Pursuant to Section 123 of the *Local Government Act 1999* (the Act), each financial year the Council is required to prepare an Annual Business Plan and Annual Budget. The Annual Business Plan and Annual Budget are to be adopted by the Council after 31 May for the ensuing financial year and except in a case involving extraordinary administrative difficulty, before 31 August for the financial year.

Pursuant to Section 123(2) of the Act and in Regulation 6 of the *Local Government (Financial Management) Regulations 2011* (the Regulations), each Annual Business Plan of a Council must—

- (a) include a summary of the Council's long-term objectives (as set out in its strategic management plans); and
- (b) include an outline of—
  - (i) the Council's objectives for the financial year; and
  - (ii) the activities that the Council intends to undertake to achieve those objectives; and
  - (iii) the measures (financial and non-financial) that the Council intends to use to assess the performance of the Council against its objectives over the financial year; and
- (c) assess the financial requirements of the Council for the financial year and, taking those requirements into account, set out a summary of its proposed operating expenditure, capital expenditure and sources of revenue; and
- (d) set out the rates structure and policies for the financial year; and
- (e) assess the impact of the rates structure and policies on the community based on modelling that has been undertaken or obtained by the Council; and
- (f) take into account the Council's long-term financial plan and relevant issues relating to the management and development of infrastructure and major assets by the Council; and
- (g) address or include any other matter prescribed by the Regulations.

Pursuant to Section 123 (3) of the Act, prior to the adoption of the Annual Business Plan, the Council must undertake public consultation for a minimum period of twenty-one (21) days. At the conclusion of the public consultation period, a public meeting is to be held where members of the community can ask questions and make submissions regarding the draft Annual Business Plan. During the public consultation period, the Council must make available copies of the draft Annual Business Plan at its Principle place of business.

### RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's Strategic Management Plan, *CityPlan 2030: Shaping Our Future*, the Long-term Financial Plan and Whole-of-Life Asset and Infrastructure Management Plans, provide the basis and framework upon which the Council's Annual Business Plan and Budget is based.

## FINANCIAL AND BUDGET IMPLICATIONS

The Council's Long-Term Financial Plan (LTFP), sets out the Councils' financial goal as, "A City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner", in short to be financially sustainable.

The Local Government Association of South Australia defines financial sustainability as;

- "A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services."
- The key elements to the definition are
  - ensuring the maintenance of a Council's high priority expenditure programs, both operating and capital;
  - ensuring a reasonable degree of stability and predictability in the overall rate burden; and,
  - promoting a fair sharing in the distribution of Council resources and the attendant taxation between current and future ratepayers.

In simple terms, financial sustainability means positioning the Council so that it can continue to provide quality services, programs and facilities and maintain the Council's infrastructure to a defined service standard, with stable rate increases (removal of sudden increases) and ensuring inter-generational equity.

To ensure that the Council achieves its financial objectives, as set out in the Council's LTFP, the Council will need to ensure that its Annual Business Plan and Budget, contains objectives and financial parameters which will deliver a responsible budget and meet the reasonable needs of the community on an equitable and "value for money" basis.

## EXTERNAL ECONOMIC IMPLICATIONS

The Annual Business Plan and Budget will have an economic impact on property owners and suppliers of goods and services to the Council, the level of which will be dependent on the final decisions taken in respect to the level of income, and subsequently the Rate increase required to meet proposed expenditure.

## SOCIAL ISSUES

Nil.

## CULTURAL ISSUES

Nil.

## ENVIRONMENTAL ISSUES

Nil.

## RESOURCE ISSUES

Nil.

## RISK MANAGEMENT

Financial Management and Annual Business Plan preparation processes are governed by the *Local Government Act 1999* and Regulation 6 of the *Local Government (Financial Management) Regulations 2011*. All budget documentation will need to be prepared in accordance with the relevant statutory requirements.

## CONSULTATION

- **Elected Members**

The Council endorsed the Annual Business Plan and Budget process at its meeting held on 18 January 2021.

- **Community**

Not Applicable.

- **Staff**

Not Applicable.

- **Other Agencies**

Not applicable.

## DISCUSSION

### The 2021-2022 Annual Budget

The draft 2020-2021 Annual Budget is proposed to be developed with reference to and within the framework of the Councils LTFP. To ensure that the Council delivers its financial objectives, the draft 2021-2022 Annual Budget should be developed with reference to the assumptions set out in the LTFP.

For the 2021-2022 Financial year, the LTFP projects an Operating Surplus of \$393,000, based on a Rate Revenue increase of 4.6%. The target Rate Revenue increase set in the draft LTFP is based on a:

- rate revenue indexation of 2.6% which is equivalent to the ten (10) year average of the Local Government Price Index (as a 30 June 2019);
- 0.5% revenue increase derived from new assessments; and
- factor (1.5%) for the financial impacts of new and upgraded infrastructure investment.

Since the development of the LTFP, the Local Government Price Index for the year ended 30 June 2020, has been published, with the ten (10) year average reducing to 2.35%. The ten (10) year average in growth from new assessments is 0.9%. Adopting the principle of rate revenue increases comprising of the elements set out above, the recommended base rate revenue increase for the 2021-2022 financial year would be between 4.4% and 4.75%, depending on the extent of the financial impact of revenue growth from new development is passed on to existing ratepayers. As such, the target Operating Surplus for the 2021-2022 Budget, is set between \$351,000 and \$470,000.

To ensure the Councils financial targets are achieved, the Annual Budget must be set with reference to similar key influences and assumptions. The influences and assumptions relating to external economic conditions and internal policy decisions are set out below.

### Key Influences

- Maintenance and renewal program for existing infrastructure assets, including roads, footpaths, Council owned properties and open spaces are consistent with the Whole-of Life Infrastructure and Asset Management Plans.
- Commitment to major projects which span more than one (1) financial year.
- Initiatives and major projects which are undertaken need to contribute to the Vision, strategic direction and the wellbeing of our City as set out in the *CityPlan 2030: Shaping Our Future*.
- Previously recognised ongoing operational savings are to be maintained.
- To continue to implement the principles and practices of the Business Excellence Framework (i.e. Continuous Improvement).
- Prudent Financial Management to ensure ongoing financial sustainability.

## Key Assumptions

The Annual Budget incorporates three (3) components of the Council Operations, these being:

- Recurrent Income and Expenditure (Recurrent Budget)
- Operating Projects (Operating Projects Budget); and
- Capital Projects (Capital Budget).

As in previous years, the preparation of the Annual Budget will be broken down into two (2) stages. The first stage will be the preparation on the Recurrent Budget, which incorporates the revenues and expenditure required to provide the “Business as Usual” services. The second stage will focus on the Capital and Operating Project budget.

## Rate Revenue Increases

As in previous years, for the initial review of the draft Recurrent Budget, no increase in rate revenue will be taken into account in the analysis. Notwithstanding this, the Long-Term Financial Plan has been based on a Rate Revenue, which is based on:

- rate revenue indexation equivalent to the ten (10) year average of the Local Government Price Index. As at 30 June 2020, the ten (10) year average is 2.35%;
- revenue increase derived from new assessments; and
- factor for the financial impacts of new and upgraded infrastructure investment.

## New Operating and Capital Projects

New projects, both Operating and Capital, which are put forward for consideration, will be assessed based on the objectives contained in *CityPlan 2030: Shaping Our Future*, the Councils LTFP and the Infrastructure and Asset Management Plans.

New services and “one-off” operating projects are funded through Rate Revenue increases, grant funding or by expenditure savings. New Capital Projects will be funded via Grant Funding, borrowings or cash reserves, with an allowance being made in rate revenue increases to contribute to the ongoing lifecycle costs associated with the new asset.

At its meeting held on 18 January 2021, the Council adopted “in principle” the following budget parameters and assumptions for the purpose of preparing the draft 2021-2022 Annual Business Plan and Budget:

- the Recurrent Operating Budget be prepared on a “business as usual” basis;
- the continuation of previously recognised ongoing operational savings;
- maximum Material, Contracts and Other Expenses cost escalation be set at 1.5%;
- wages and salaries increases be set in line with the Council’s Enterprise Bargaining Agreements;
- maximum combined increase in overall budget be based on salary increase and 1.5% non-salary increase;
- fees and charges not set by Legislation be increased by 1.75% at a minimum;
- new Capital Projects to be considered and approved within the context of the Annual Business Plan objectives, *CityPlan 2030: Shaping Our Future*, I&AMP and the LTFP;
- new services and one off projects to be considered and approved within the context of the Annual Business Plan objectives, *CityPlan 2030: Shaping Our Future*, I&AMP and the LTFP and be funded through Rate Revenue increases or by expenditure savings; and
- new capital projects are funded via grant funding and or long term borrowings.

A timetable, as set out in Table 1 below for the preparation of the draft 2021-2022 Budget, has been developed to ensure that the Council is in a position to adopt the 2021-2022 Annual Business Plan and Annual Budget at the Council meeting to be held on 5 July 2021.

**TABLE 1: KEY BUDGET PROCESS ACTIVITIES 2021-2022**

Key Steps	Dates
Budget process, parameters and objectives adopted	Monday 18 January 2021 (Council Meeting)
Fees and charges adopted in principle by the Council	Monday 1 March 2021 (Council Meeting)
Budget Workshop with Elected Members	Wednesday 17 March 2021
Budget Workshop with Elected Members	Wednesday 31 March 2021
Budget Council Meeting <ul style="list-style-type: none"> <li>• <i>Recurrent Budget considered</i></li> <li>• <i>Operating and Capital Projects considered</i></li> </ul>	Wednesday 14 April 2021 (Special Meeting)
Draft Annual Business Plan, rating model and projects carried forward and Infrastructure Whole of Life endorsed	Monday 3 May 2021 (Council Meeting)
Draft Annual Business Plan available for viewing by the public	Wednesday 12 May 2021
Meeting to receive Public submissions on the Annual Business Plan	Wednesday 2 June 2021
Consideration of public submissions	Wednesday 16 June 2021 (Special Council Meeting)
Adoption of Annual Business Plan and Budget	Monday 5 July 2021 (Council Meeting)

In respect to the community consultation on the Annual Business Plan, a Public Meeting is proposed to be held on Wednesday 2 June 2021 to allow members of the community to present their comments and feedback to the Council, on the content of the Annual Business Plan and Budget.

**OPTIONS**

Not Applicable.

**CONCLUSION**

The development of the 2021-2022 Annual Business Plan and Budget forms the platform to position the Council to achieve future and ongoing Financial Sustainability. Financial Sustainability is not a number on the Income Statement, it is a strategy. The 2021-2022 Annual Business Plan and Budget integrates the strategies set out in the Councils suite of Strategic Management Plans, which include CityPlan 2030, Infrastructure and Asset Management Plans and the Long Term Financial Plan, with any decisions made being consistent with and supporting the strategy.

**COMMENTS**

If Committee Members have any questions or require clarification in relation to specific budget items, and/or any issues raised in this report, do not hesitate to contact the General Manager, Corporate Services, Sharon Perkins on 8366 4585 or email [sperkins@npsp.sa.gov.au](mailto:sperkins@npsp.sa.gov.au) prior to the meeting.

**RECOMMENDATION**

That the report be received and noted.

*Ms Sandra Di Blasio moved:*

*That the report be received and noted.*

*Seconded by Mayor Bria and carried.*

## 6.5 GOVERNANCE ARRANGEMENTS – REGIONAL SUBSIDIARIES

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**REPORT AUTHOR:** General Manager, Corporate Services  
**GENERAL MANAGER:** Chief Executive Officer  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** qA63320  
**ATTACHMENTS:** A - E

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### PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with a record of information which has been provided to the Council since the last meeting.

### BACKGROUND

At the Audit Committee meeting held on 21 January 2010, it was resolved:

*“That reports be prepared by the General Managers responsible for each Regional Subsidiary on any matters of concern within the Subsidiary, for consideration by the Audit Committee in lieu of the distribution of minutes etc.”*

### RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

### FINANCIAL AND BUDGET IMPLICATIONS

The purpose of this report is to provide the Audit Committee an overview of the Budget Reviews which have been undertaken by the Council’s Regional subsidiaries.

The Councils 2020-2021 Budget, includes the respective cost of services which are delivered on behalf of the Council by the respective Regional Subsidiary and the Council’s share of the respective Regional Subsidiary operating result.

The Budget implications for the Council are discussed in the Discussion section of this report

### EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

### SOCIAL ISSUES

Not Applicable.

### CULTURAL ISSUES

Not Applicable.

### ENVIRONMENTAL ISSUES

Not Applicable.

### RESOURCE ISSUES

There are no resource issues arising from this report.

### RISK MANAGEMENT

There are no risk management issues arising from this report.

## CONSULTATION

- **Committee Members**

Cr Minney is a Board member of ERA Water and Highbury Landfill Authority.

Cr Stock is a Board Member of East Waste.

Ms Brigid O'Neill is a member of the ERA Water Audit Committee.

Ms Sandra DiBlasio is a member of the East Waste Audit Committee.

- **Community**

Not Applicable.

- **Staff**

Chief Executive Officer

General Manager, Urban Services.

General Manager, Urban Planning and Environment.

- **Other Agencies**

Not Applicable.

## DISCUSSION

### Eastern Health Authority (EHA)

At its meeting held on 20 December 2020, the EHA Board considered the First (September 2020) Budget Review. As advised at the Audit Committee meeting held on 24 February 2020, EHA will only be seeking approval for Budget revisions, from the Constituent Councils, where there has been a material change to its Adopted Budget.

The first Budget Review for the financial year is required to take into account any differences in the adopted 2019-2020 Balance Sheet and the 2019-2020 Audited Balance Sheet. The relevant figures from the 2019-2020 Audited Financial Statements have now been incorporated into the 2020-2021 Budgeted Financial Statements. It should be noted that the adjustments processed to the Balance Sheet have no impact of the adopted 2020-2021 Operating Result.

Following the first Budget Review, EHA is estimating an Operating Deficit of \$28,000 compared to an adopted breakeven budget.

The drivers behind the change in the forecast Operating Results, is primarily due to the accounting impact of the adoption of the accounting Standard AASB 16: Leases, which requires operating leases, (except short term or low value leases) to be treated like a financing lease, with the recognition of Right of Use assets and liabilities to be recorded on the Balance sheet, and lease payments, previously recorded on the Statement of Comprehensive Income, being replaced with a deemed depreciation and interest expense. The net impact of the change in accounting standard is an unfavourable variance of \$20,000.

As Committee Members may recall, as part of the 2020-2021 Annual Business Plan and Budget, EHA included a \$40,000 contribution from its Constituent Councils, to be shared equally, to undertake a Service review. This review was initiated at the request of the Town of Walkerville. The Town of Walkerville has subsequently withdrawn the Service review, and as such, contributions from Constituent Councils and the cost of the Service Review has been reduced by \$8,000 respectively.

This Councils share of the revised Operating Deficit of \$20,000, is \$6,458. The Councils Budget has been adjusted as per the Mid-year Budget Review.

A copy of the Budget Review is contained in **Attachment A**.



## East Waste

At its Meeting held on 26 November 2020, the East Waste Board considered the First Budget review. The East Waste Board noted that there have been some variations against both budgeted income and expenditure, however at this stage, there have been no proposed variations made to the Budget. As such, East Waste is still forecasting an Operating Deficit of \$39,000. The Council's share of the draft Operating Deficit is \$5,577, which is based on an ownership share of the Authority of 14.3%.

The East Waste 2020-2021 First Budget Review is contained in **Attachment B**.

At its meeting held on 26 November 2020, the East Waste Board also considered the Long Term Financial Plan (LTFP). East Waste's LTFP was last adopted in June 2017. A review of the LTFP was due to occur prior to June 2019, however due to the significant issues in the recycling industry market which was occurring at the time, the review of the LTFP was delayed.

The LTFP (as contained in **Attachment C**) is based on the following principles and assumptions;

### Principles

- consistency with East Waste's, ten-year Business Plan, Asset Management Plan, Annual Plans; and the East Waste Charter;
- alignment to East Waste's: Treasury Management Policy; and Cash-flow requirements;
- use of CPI and LGPI forecasts; and
- consistency with Member Council Service Level Agreements.

### Assumptions

- The cost of replacing fleet vehicles to be funded via fixed term external borrowings with the Local Government Finance Authority.
- Lease of the Ottoway Depot to continue with an annual 4% lease cost increase.
- Salaries and wages to increase by current EB Agreement rates or in accordance with relevant legislative instruments for the life of the LTFP.
- Fuel based on annual usage levels and price increases aligned with recent historic data and RAA modelling.
- 2% growth allowed for in collected volumes of recycling, green organics, residual waste and hard waste.
- CPI rate to be used as the common annual inflator rate to all costs that do not have a specific/unique cost driver inflator rate applied.
- LGPI increase applied to the Administration Fee charged to Member Councils and for it to be charged equally.
- CPI assumed to be 2.0% per annum for the life of the LTFP.
- All fleet costs and replacement to be reflected in accordance with the Fleet Asset Management Plan.
- Annual operating surplus budgeted on return on revenue in accordance with targets set within the Budget Framework Policy.

## ERA Water

### Long Term Financial Plan

The 2020-2029 ERA Water Long Term Financial Plan was predicated on ERA Water being in a position to harvest and deliver water to both its Constituent Councils and third party customers, at a rate lower than the SA Water price by the 2021-2022 Financial Year. While the planned connections to reserves of the Constituent Councils and the first external customers have been connected to the ERA Water network, a number of the key assumptions adopted in developing the financial forecasts have weakened in the 2021-2030 ERA Water Long Term Financial Plan.

The key impact on the long term forecast has been the reduction in the SA Water price by 18.5% to \$2.78 per kL. It should be noted that ERA Water is not in a position to produce water at the price below the SA Water price over the life of the Plan.

As per previous Plans, water sales will be made to the Constituent Council based on the “take or pay” volume of 205 ML. However, it should be noted that the sale price, based on full operating cost recovery, is 2.0% higher than the SA Water Price. For this Council, the take or pay volume is set at 77 ML, which is based on the volumes that were provided to ERA Water (based on the average consumption over a five (5) year period), therefore the Council will incur additional water charges of \$4,900 per annum on average over the 10 year period for water purchased from ERA Water.

Third party sales have been estimated based on the predicted availability of water being available for sale. To date, ERA Water has secured water sales of 45 ML per annum.

The Council endorsed the Long Term Financial Plan at its meeting held on 18 January 2021. A copy of the 2021-2030 Long Term Financial Plan is contained in **Attachment D**.

#### 2020-2021 First Budget Review

Due to the combined impact of the reduction of the SA Water price to \$2.78 per kL and reduced volume of water sales to date, due to uncertainty in the reliability of water supply and delays in external parties committing to contracts, ERA Water is forecasting sales revenue of \$686,500, a reduction of \$275,000.

Operating Expenditure is forecast to increase to \$1.634 million, an increase of \$85,000. The increase predominately due to the appointment of a Principal Operator, who will undertake the operations and maintenance activities previously undertaken by external contractors. However, it is anticipated that the reduced reliance on external contractors will reduce the operations and maintenance costs by \$250,000 per annum.

The net impact of the proposed budget adjustments is an increase in the forecast Operating loss to \$948,000 and increase of \$361,000 on the Adopted Budget. This Councils share of the increased loss is \$120,300.

The Council endorsed the 2020-2021 First Budget Review at its meeting held on 18 January 2021. A copy of the 2020-2021 First Budget Review is contained in **Attachment E**.

#### **OPTIONS**

Nil.

#### **CONCLUSION**

Nil.

#### **COMMENTS**

Nil.

#### **RECOMMENDATION**

That the report be received and noted.

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*Mayor Bria moved:*

*That the report be received and noted.*

*Seconded by Cr Stock and carried unanimously.*

## 6.6 FINANCE POLICIES

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**REPORT AUTHOR:** Accountant  
**GENERAL MANAGER:** General Manager, Corporate Services  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** qA63320/A121304  
**ATTACHMENTS:** A - E

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### **PURPOSE OF REPORT**

The purpose of this report is to provide the Audit Committee with finance related policies which have been reviewed, for consideration and endorsement prior to being presented to the Council for adoption.

### **BACKGROUND**

Pursuant to Section 125 of the *Local Government Act 1999*, the Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the Council's assets, and to secure (as far as possible) the accuracy and reliability of the Council's records.

The 2020-2021 Audit Committee Work Program requires the Audit Committee to review the appropriateness of the range and content of the Council's financial policies and practices.

### **RELEVANT STRATEGIC DIRECTIONS & POLICIES**

Not Applicable.

### **FINANCIAL AND BUDGET IMPLICATIONS**

Not Applicable.

### **EXTERNAL ECONOMIC IMPLICATIONS**

Not Applicable.

### **SOCIAL ISSUES**

Not Applicable.

### **CULTURAL ISSUES**

Not Applicable.

### **ENVIRONMENTAL ISSUES**

Not Applicable.

### **RESOURCE ISSUES**

Not Applicable.

### **RISK MANAGEMENT**

Documentation of policies relating to the Council's financial transactions improves transparency and ensures consistent treatment over subsequent reporting periods unless Accounting Standards or legislation changes.

## CONSULTATION

- **Committee Members**  
Nil
- **Community**  
Not Applicable.
- **Staff**  
Nil
- **Other Agencies**  
Not Applicable.

## DISCUSSION

In accordance with the Finance Policy Timetable, a review a number of policies, as contained in **Attachments A to E**, has been undertaken. Following the review, the amendments to the policies, as detailed in Table 1 below, are presented to the Committee for consideration and recommendation to the Council for adoption, subject to any amendment which may be considered appropriate by the Audit Committee.

**TABLE 1: PROPOSED POLICY AMMENDMENTS**

<b>Policy</b>	<b>Details of Proposed Amendment</b>
Budget Policy and Guidelines <b>(Attachment A)</b>	No changes recommended.
COVID-19 Financial Hardship Policy <b>(Attachment B)</b>	It is recommended that this Policy be suspended. This Policy was adopted by the Council on 1 June 2020 to assisting customers and ratepayers experiencing financial hardship due to the impacts of the COVID-19 Pandemic. Since December 2020, the physical distancing restrictions have been relaxed, and business returning to "normal" operations. Subject to any future outbreaks, future request will be assessed against the Councils Financial Hardship Policy.
Funding Policy <b>(Attachment C)</b>	No changes recommended.
Goods and Services Tax <b>(Attachment D)</b>	No changes recommended.
Public Liability Insurance for Community Groups when hiring Council Owned Facilities <b>(Attachment E)</b>	It is recommended that the minimum public liability insurance cover provided by hirers of Council Facilities and reserves be increased to \$20 million up from \$10 million, to be consistent with the public liability insurance cover provided by the Council for ad hoc/occasional hirers.

## OPTIONS

The Policies can be recommended to the Council for adoption with or without amendment.

## CONCLUSION

To ensure compliance with Section 125 of the Act, the Council must have in place appropriate policies, practices and procedures which assist the Council to carry out its activities in an efficient and orderly manner. It is important to ensure that the policies adopted by the Council are regularly reviewed to ensure that they reflect the current operating environment and continue to meet the Council's overall objectives.

## COMMENTS

Nil

## RECOMMENDATION

1. That the Audit Committee notes that the following policies have been reviewed and notes that no amendments are recommended.
    - Budget Policy;
    - Budget Policy Guidelines;
    - Funding Policy;
    - Goods & Service Tax
  2. That the Audit Committee notes that the Public Liability Insurance for Community Groups when Hiring Council Owned Facilities Policy has been reviewed and notes that minor amendments are recommended.
  3. That the Audit Committee recommends to the Council that the following policies be adopted.
    - Budget Policy and Guidelines (Attachment A);
    - Funding Policy (Attachment C);
    - Goods and Service Tax Policy (Attachment D) and
    - Public Liability Insurance for Community Groups when hiring Council Owned Facilities (Attachment E).
  4. That the Audit Committee recommends to the Council that the COVID-19 Financial Hardship Policy as contained in Attachment B, be suspended.
- 

### *Cr Stock moved:*

1. *That the Audit Committee notes that the following policies have been reviewed and notes that no amendments are recommended.*
  - *Budget Policy;*
  - *Budget Policy Guidelines;*
  - *Funding Policy;*
  - *Goods & Service Tax*
2. *That the Audit Committee notes that the Public Liability Insurance for Community Groups when Hiring Council Owned Facilities Policy has been reviewed and notes that minor amendments are recommended.*
3. *That the Audit Committee recommends to the Council that the following policies be adopted.*
  - *Budget Policy and Guidelines (Attachment A);*
  - *Funding Policy (Attachment C);*
  - *Goods and Service Tax Policy (Attachment D) and*
  - *Public Liability Insurance for Community Groups when hiring Council Owned Facilities (Attachment E).*
4. *That the Audit Committee recommends to the Council that the COVID-19 Financial Hardship Policy as contained in Attachment B, be suspended.*

*Seconded by Ms Sandra Di Blasio and carried.*

## 6.7 INTERNAL CONTROL AND RISK MANAGEMENT ASSESSMENT

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**REPORT AUTHOR:** Management Accountant  
**GENERAL MANAGER:** General Manager, Corporate Service  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** qA63320/A  
**ATTACHMENTS:** A - B

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### PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with an update on the status of the Council's major risks and the assessment of the Council's Internal Controls.

### BACKGROUND

The 2020-2021 Audit Committee Work Program requires the Committee to:

- a. *Identify whether weaknesses in internal controls have been previously identified, e.g. by management or Council's external auditor, and if so whether action has been taken to have them addressed:*
  - consider the range of documented internal control policies and procedures; and
  - whether they are being followed.
- b. *Develop and monitor the delivery of the Council's Strategic Internal Audit Plan by:*
  - *meeting with the Council's Internal Auditors to discuss any points of concern raised by the Internal Auditor, as part of the delivery of the Strategic Audit Plan;*
  - *assessing the appropriateness of the Council's response to matters raised in the Internal Audit Reports; and*
  - *annually review the appropriateness of the Council's three (3) year Strategic Internal Audit Plan.*
- c. *Review Management's assessment of Council's major risks.*
- d. *Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major risks. Consider:*
  - *whether an assessment has been undertaken to identify foreseeable events with potentially catastrophic consequences and actions established to minimise their likelihood and effect*
  - *whether a business continuity plan has been developed in case of major damage to key Council properties or other, (e.g. computer, assets);*
  - *whether there are significant risks that have been identified by Council's insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard; and*
  - *adequacy of insurance coverage.*

At its meeting held on 15 October 2010, the Audit Committee requested that Risk Management be a standard item on its agenda and that a brief report be prepared for each meeting confirming that the risks remain current and that the identified existing controls remain in place.

### RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

### FINANCIAL AND BUDGET IMPLICATIONS

Additional funding may be required to complete the work which has been requested by the Audit Committee, depending on the nature and timeframes which are set for any further work required to be undertaken.

### EXTERNAL ECONOMIC IMPLICATIONS

Nil.

## **SOCIAL ISSUES**

Nil.

## **CULTURAL ISSUES**

Nil.

## **ENVIRONMENTAL ISSUES**

Nil.

## **RESOURCE ISSUES**

Refer to Financial Implications above.

## **RISK MANAGEMENT**

The risks identified to be managed are contained in **Attachment A**.

## **CONSULTATION**

- **Committee Members**  
Not Applicable.
- **Community**  
Not Applicable.
- **Staff**  
Where Applicable.
- **Other Agencies**  
Not Applicable.

## **DISCUSSION**

### **Risk Management Assessment**

Following the risk review and risk workshop held on 11 September 2019, eight (8) strategic risks and thirteen (13) operational risks were identified. Upon review of the nature of the risks and the existing controls which are in place, five (5) strategic risks and three (3) operational risks were identified with a target risk greater than the residual risk. To reduce the risk to the target risk rating, a number of treatment plans have been identified to mitigate against the risks. The status of the risks requiring additional mitigation strategies and controls, is contained in **Attachment A**.

### **Internal Audit**

To address a previously identified control weakness, in which an external audit identified that there was a lack of controls for monitoring of patrons entering the Council's Swimming Centres, a Point of Sale system was introduced at both the Payneham Memorial Swimming Centre and the Norwood Swimming Centre as part of the 2018-2019 Annual Budget. In addition, as a result of the COVID-19 pandemic and the physical distancing restrictions that were put in place to reduce the spread of COVID-19, an online booking system was also introduced, which required patrons which and not purchased season passes or multi visit passes to pay on line. Both the Point of Sale System and the On-line booking system, are independent of the Councils main business system, Authority.

The Council also owns and operates the St Peters Childcare Centre & Preschool which, due to the payment of the Childcare subsidy to assist families with the cost of childcare, is required to utilise a Government Mandated system to record attendances and revenue. The system is independent to the Council's main business system, Authority.

Revenue collected from the Swimming Centre and the Child Care Centres represents 76% of total User Charges collected by the Council. Given the high percentage of User Charges income which is collected and recorded via business systems external to the Council's main business systems, an internal review was undertaken of the sales and revenue process in place at the Councils' Swimming Centres and the St Peters Childcare Centre & Preschool, to ensure that appropriate controls are in place to ensure that all sales are recorded.

The objective of the review was to assess the internal controls in place to manage key risks associated with sales, services and revenue processing for the three (3) facilities. Specifically, the controls put in place by management to mitigate the following risks:

- compliance with legislation (where applicable i.e. Child Care Subsidy);
- payments are not accurate or valid;
- refunds are not accurate or valid;
- duplicates payments/refunds are processed;
- adjustments are made to payment transactions after they have been processed;
- unauthorised individuals are able to process or approve payments;
- payments are not posted to the general ledger accurately;
- reconciliations between the point of sales system and the general ledger are not performed, complete, accurately and on a timely basis; and
- ensure fees entered into the external systems reflect the adopted fees and charges.

Based on the internal audit work which has been undertaken, including inspection of documents and interviews with key staff, Bentleys has concluded that the control environment of sales, services and revenue processing for the three (3) facilities is **Majority Effective**.

Five (5) audit findings were identified, with all findings being assessed as presenting a low risk. Detailed findings and agreed action plans are set out in Appendix 1 of the Internal Audit report, contained in **Attachment B**.

#### **OPTIONS**

Nil.

#### **CONCLUSION**

Nil.

#### **COMMENTS**

Nil.

#### **RECOMMENDATION**

That the report be received and noted.

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*Cr Stock moved:*

*That the report be received and noted.*

*Seconded by Ms Sandra Di Blasio and carried.*



**7. CONFIDENTIAL REPORTS**  
Nil

**8. OTHER BUSINESS**  
Nil

**9. NEXT MEETING**  
Monday 24 May 2021

**10. CLOSURE**

There being no further business the Presiding Member declared the meeting closed at 7.44pm.

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**Cr John Minney**  
**PRESIDING MEMBER**

Minutes Confirmed on \_\_\_\_\_  
(date)